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ABSTRACT

This digest presents an analysis of the workforce participation of Latinos, emphasizing findings by generation. It describes the demographics of native-born and immigrant Latinos and compares labor market outcomes for adult, young adult, and teen workers. The digest also explores the relationship between schooling and labor market participation, with a particular look at differences across ethnicities as well as across Latino generations. Findings analyzed indicate that labor market outcomes vary significantly by worker age, working Latino immigrants tend to be mature adults, and working age second generation Latinos are between 16-24 years. For prime-age labor market outcomes, data indicate that Latino wage outcomes are very sensitive to generation, Latino workers are the lowest paid workers in the U.S. labor market, employment rates improve among Hispanics from the first to the second generation as a result of improved educational attainment, and male Latino job-holding slightly lags white job-holding but is substantially above African American job-holding. Recently arrived Latino immigrant teens are the highest paid teenage workers and have the highest incomes because they work a lot. Findings suggest, however, that the relative labor market success of immigrant Latino teens tends to be at the expense of schooling activities, as recently arrived immigrant Latino teens tend not to pursue formal schooling and are not acquiring English fluency. Young immigrant Hispanic dropouts have a lower unemployment rate and earn more money than young white and African American dropouts. (Contains 10 references.) (SM)

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LABOR MARKET OUTCOMES OF HISPANICS BY GENERATION

The Latino population is on the cusp of a major generational change. For the past several decades its growth was fueled mostly by immigration. Now, the extraordinary fertility rate of foreign-born Latinos living in the United States is fueling Hispanic population growth at a faster rate than the influx of new immigrants. The Hispanic population and labor force is increasingly native-born (U.S. Census Bureau, 2001). The different Latino generations, i.e., immigrants and their U.S.-born offspring, play markedly different roles in the labor force, and they present dissimilar challenges and opportunities to employers and policymakers. This digest summarizes the outcomes and determinants of Latinos in the workforce, with an emphasis on outcomes by generation.

Underlying Demographics

U.S. labor market outcomes vary significantly according to the age of the worker. Earnings rise and employment stabilizes with experience. So, for example, teen unemployment rates are often multiples of the rates experienced by middle-aged adults. When it comes to Hispanics, labor market analysis must recognize the unique age structure of Latino generations. Working-age Latino immigrants tend to be mature adults; about 1 in 10 is between the ages of 16 and 24. By contrast, 4 in 10 working-age second generation Latinos are between the critical ages of 16 and 24, reflecting the native-born youth boom. Age sensitive labor market analysis reveals that the fortunes of this second generation of Latinos appear very different, depending upon whether we investigate outcomes for youth or focus on adults over the age of 25 (Fry & Lowell, 2002).

Prime-Age Labor Market Outcomes

Latino wage outcomes are very sensitive to generation. Overall averages suggest that Latino workers are the lowest paid workers in the U.S. labor market. Among male full-time workers ages 35 to 64, Hispanic, African American, and white weekly earnings average $410, $480, and $705, respectively. Native-born Hispanic workers fare significantly better, however. Native-born Hispanic workers are paid $550 per week on average, above the wage levels of African Americans (Reimers, 2000). Since native-born Hispanic and African American adults have similar levels of educational attainment, the wage gap between the two groups cannot be explained by differences in formal education.

In general, labor market attachment among prime-age persons increases with education. Since educational attainment markedly improves among Hispanics from the immigrant generation to the second generation (Chiswick & DebBurman, 2003), employment rates also improve among Hispanics from the first generation to the second.

With the exception of Cubans, native-born Hispanic workers are paid less than white workers. Recent statistical analyses reveal that a considerable portion of the wage gap between third and higher generation Hispanic and non-Hispanic white workers can be accounted for by differences in formal schooling. After controlling for labor market experience and formal education, there is not a statistically significant wage difference between third and higher generation white workers and workers of either Puerto Rican origin or Central/South American origin (Fry & Lowell, 2003). Third and higher generation workers of Mexican origin, however, are paid about 11 percent less than otherwise similar white workers. English language deficiencies may account for some of this wage gap (Trejo, 1997), but there does appear to be a substantive wage gap between native-born Mexican workers and white workers.

Job-holding and labor market participation comparisons are quite sensitive to gender. Among men, Latino job-holding tends to slightly lag white job-holding, but is substantially above African American job-holding. Puerto Ricans are the only Hispanic subgroup with male employment rates trailing those of African American men. Among women, Latino employment rates are substantially below white and African American levels, with the employment deficits being especially large for females of Mexican and Puerto Rican origin (Bean, Trejo, Capps, & Tyler, 2001).

Labor Market Outcomes for Teens and Young Adults

Patterns among prime-age adults do not hold for youth. By some measures, Latino youth tend to be the most successful youth in the labor market, and immigrant Latino youth in particular stand out in the youth labor market. This tends to reflect the work orientation of Latino youth in comparison to white and African American youth. Whites and African Americans tend to be more focused on schooling activities and not as heavily involved in the labor market.

White youth tend to have the highest degree of labor market attachment, with Latino youth squarely between white and African American youth. In 2000, 52 percent of white 16-to-19-year-olds held jobs, in comparison to 38 and 30 percent of Hispanic and African American teens. But there is considerable diversity among Latino youth. Almost half of recently arrived immigrant Latino teens hold jobs, in comparison to 34 percent of second generation teens (Fry & Lowell, 2002).

Recently arrived immigrant Latino teens are the highest paid teenage workers. The average recently arrived immigrant Latino 16- to 19-year-old worker is paid $260 per week, in comparison to $150 per week for white and African American 16-to-19-year-olds and $180 per week for second generation Latino teen workers. Recently arrived Hispanic teen workers have relatively high incomes because they work a lot. They average

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nearly 38 hours of work per week, whereas white teen workers work 25 hours per week on average (Fry & Lowell, 2002).

Labor Market Participation and Schooling

The relative labor market success of immigrant Hispanic teens tends to be at the expense of schooling activities. Less than a quarter of recently arrived immigrant Latino teens are enrolled in school, in comparison to nearly 70 percent of white, African American, and native-born Latino 16-to-19-year-olds. Many of the recently arrived immigrant Latino teens did not finish high school in their countries of origin (Fry, 2003) and though they may subsequently enroll in school later in life (Betts & Lofstrom, 2000), evidence suggests that they will fall far behind their native-born peers in educational attainment. At best, 60 percent of immigrant Latino teen arrivals will complete high school by adulthood, in comparison to high school completion rates above 80 percent for native-born Latinos and above 90 percent for whites and African Americans (Fry & Lowell, 2002).

Second generation Latino teens are paid less, experience higher unemployment, and have much lower rates of job-holding than recently arrived immigrant Latino teens. Fewer of them are in the labor market at all. Instead, many second generation Latino teens are engaged in what white and African Americans teens do: investing in their skills by pursuing formal schooling.

Recently arrived immigrant Latino teens are tending not to pursue formal schooling and many of them are not acquiring English fluency. Although they tend to be relatively well-paid in comparison to other teen workers, their earnings will remain quite flat as they age. That is, their earnings do not grow significantly with experience (Schoeni, McCarthy, & Vernez, 1996). The lack of education and skills locks immigrants into the low-end of the U.S. labor market through adulthood. Thus, the American economy's appetite for young, low-skilled immigrant labor inevitably produces a substantial supply of adult workers with minimal qualifications.

Although the pay of second generation Latino teens lags that of immigrant Latino teens during the teen years, their schooling pursuits ultimately pay off. By adulthood, second generation Latino workers earn substantially more than their immigrant counterparts that came to work in the United States and did not enroll in school during their teen years (Fry & Lowell, 2002).

High School Dropouts

There are marked differences in the labor market outcomes of 16- to 19-year-old high school dropouts. This population typically experiences very high rates of unemployment. In 2000, the white and African American unemployment rates for high school dropouts were 28 and 42 percent, respectively. The unemployment rate for immigrant Hispanic 16- to 19-year-old high school dropouts, however, was 7.6 percent. Young white high school dropouts earned $7,300 per year. Immigrant Hispanic high school dropouts earned $10,000 per year (Fry, 2003).

Conclusion

In terms of generational advancement and the broad question of whether the second generation will go farther than the first, the news is good. There are strong indications that most of the U.S.-born children of Latino immigrants will move beyond the life of working-class poverty that is typical of both their parents and their foreign-born contemporaries. Labor market analyses document a substantial movement forward from the first generation to the second, but they also find that this movement forward is not nearly powerful enough to bring the second generation to parity with white workers. Over the next several decades, as the second generation takes its place in the labor market, the overall economic status of the Latino population is likely to improve. This new cohort of workers will probably fill different jobs than their immigrant forbearers, jobs that pay more for greater skills or education and a greater mastery of English. Nonetheless, this large and growing second generation, though it is native-born and the product of U.S. schools, seems likely to fall short of enjoying the kind of employment and the standard of living that most white Americans take for granted.

—Richard Fry
Pew Hispanic Center

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